

A U S T I N C I T Y C O U N C I L
AGENDA

Thursday, June 22, 2006

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**Telecommunications & Regulatory Affairs
RECOMMENDATION FOR COUNCIL ACTION**

Subject: Approve an ordinance suspending the effective date for 90 days in connection with the rate increase filing of Atmos Energy Corporation, Mid-Tex Division on May 31, 2006; requiring reimbursement of municipal rate case expenses by the regulated utility; and providing notice of this ordinance to Atmos Energy Corporation, Mid-Tex Division.

Fiscal Note: No fiscal impact.

Additional Backup Material

(click to open)

Ordinance

For More Information: Rondella Hawkins; (512) 974-2422**Prior Council Action:** May 25, 2006, by Resolution No. 20060525-051

On May 25, 2006, by Resolution No. 20060525-051 the City ordered Atmos Energy Corporation, Mid-Tex Division ("Atmos" or "Company") to show cause regarding the reasonableness of its existing natural gas distribution rates within the City and requiring Atmos to submit a rate filing package by May 31, 2006 based on a test year ending December 31, 2005.

On May 31, 2006, Atmos filed a Statement of Intent with the City of Austin, based on a test year ending December 31, 2006, to increase its rates on a systemwide basis by more than \$60.8 million or approximately 3.6% and also substantially change its rate design for residential customers so that the more gas that is used the cheaper the rate.

Based on Company provided information, Atmos' proposal would result in an average monthly increase per customer for approximately 4,800 customers within the City of Austin as follows:

Residential - \$4.02 or approximately 5.36%
Commercial - \$17.16 or approximately 5.25%
Industrial - \$7.10 or approximately .21%

The City has joined with other local regulatory authorities to form Atmos Texas Municipalities ("ATM"). The rate filing is thousands of pages in length with more than a half dozen technical experts and it is not possible for the City to complete its review of Atmos Energy's filing within 35 days. The City will need at least 100 days before it is ready to adopt a final decision as a local regulatory authority with regard to Atmos Energy's filing. The effective date for Atmos Energy's filing of May 31, 2006 is July 19, 2006. This action would suspend the effective date for ninety days or at least until October 17, 2006.

ORDINANCE NO.

AN ORDINANCE SUSPENDING A RATE INCREASE PROPOSED BY ATMOS ENERGY CORPORATION, MID-TEX DIVISION; REQUIRING REIMBURSEMENT OF MUNICIPAL RATE CASE EXPENSES BY THE REGULATED UTILITY; AND PROVIDING NOTICE OF THIS ORDINANCE TO ATMOS ENERGY CORP. MID-TEX DIVISION.

BE IT ORDAINED BY THE CITY COUNCIL OF THE CITY OF AUSTIN:

PART 1. FINDINGS:

(A) On May 25, 2006, by Resolution No. 20060525-051 the City ordered Atmos Energy Corporation, Mid-Tex Division ("Atmos" or "Company") to show cause regarding the reasonableness of its existing natural gas distribution rates within the City and requiring Atmos to submit a rate filing package based on a test year ending December 31, 2005.

(B) On May 31, 2006, Atmos filed a rate filing package with the City based on a test year ending December 31, 2005, and, according to Atmos, seeking to increase rates by \$60.8 million or approximately 3.6%.

(C) Based on Company-provided information, Atmos' proposal would result in an average monthly increase per customer for approximately 4,800 customers within the City of Austin as follows:

Residential - \$4.02 or approximately 5.36%

Commercial - \$17.16 or approximately 5.25%

Industrial - \$7.10 or approximately .21%

(D) The City has exclusive original jurisdiction under the Gas Utilities Regulatory Act, Texas Utilities Code §103.001 to evaluate Atmos' proposed rate increase and is authorized under Texas Utility Code § 104.107(a)(1) to suspend the effective date of the proposed rate increase for 90 days.

(E) The current effective date is July 19, 2006. The rate filing package filed by Atmos is several thousand pages in length, contains testimony of more than a half dozen technical experts, and many significant changes from past rate-setting practices. It is not

possible to complete the analysis of Atmos' rate request by the effective date, and, therefore, the effective date must be suspended for ninety days or until October 17, 2006.

PART 2. The rate increase proposed by Atmos filed with the City on May 31, 2006, is suspended to October 17, 2006.

PART 3. Atmos is directed to reimburse all municipal rate case expenses incurred by the City in relation to the filing.

PART 4. Notice of this ordinance is hereby provided to Atmos Energy Corp., Mid-Tex Division.

This ordinance takes effect on July 3, 2006.

PASSED AND APPROVED

_____, 2006

Will Wynn
Mayor

APPROVED:

David Allan Smith
City Attorney

ATTEST:

Shirley A. Gentry
City Clerk